

**Milton Finance Committee Meeting**  
**Milton Library**  
**121 Union Street**  
**Tuesday, May 18, 2010**  
**6:30 p.m.**

**[Minutes are NOT verbatim. None of the participants announced their names except for Norman Lester.]**

Recording Secretary: Helene Rodgville

Norman Lester called to order the initial meeting of the Finance Committee of this Administration at 6:30 p.m. on May 18<sup>th</sup>. The other members of the Finance Committee introduced themselves, as well: Louis Sgro, Dennis Hughes, and Jim Crellin. Mr. Lester indicated that they were going to start out with the first couple of pages of the Trial Balance that the Town Finance Director presented to the audit firm at the end of the year. He did not give them the entire Trial Balance, because it goes on for a lot of pages; but these are the key items and he tried to highlight everybody's in yellow; some of the errors that were there. Some of the things that Mr. Lester has been talking about for the last three years; about the Financial Statements; he's seen differences and it was obvious to him that the statements were incorrect. They were produced month by month and here we are at May 18<sup>th</sup> and so far we have not seen last year's year-to-date statement prepared by the accountant. Mr. Lester said he has nothing to provide them to look at currently, because he's not been provided with any information by the Town.

Louis Sgro: Did the auditor have all that information, when he spoke at the Town Council meeting; did he prepare the audit; and wasn't that a cross between the town's finances?

Norman Lester: He prepared the audit. What he had to do and his first step was initially bookkeeping; if you go down some of the highlighted yellow things where I had, for instance, Miscellaneous Accounts Receivable \$105,000; Accounts Receivable doesn't have a credit balance. Okay, so we have to fix that. You can see that in other Accounts Receivable; a lot of these accounts have credit balances.

Louis Sgro: How did that ever get a credit balance? How did that ever get a credit balance?

Norman Lester: Because they weren't watching what they were doing; that's what he's getting to. That's my big problem. (Several people arrived a little late and Mr. Lester just explained what they were looking at.) He explained that he had tried to highlight some of the errors that he had seen; these highlights would point out the errors he had seen; if you look under Assets, you would see starting with Accounts Receivable they all have errors in there; several of them had credit balances in Accounts Receivable; if you go down to Accounts Payable, it's the reverse, instead of having credit balances, which would be a liability, it has a debit balance; and on the next page we'll see some of the same problems. In the next item I did, and these are all the Journal Entries that Mr. Sombar has put together; and there are a couple of items in here, besides all the bookkeeping problems he had to straighten out at the end of the year; the very first Journal Entries were Journal Entries to adjust the beginning year balances, which means the bookkeeping staff did not \_\_\_\_\_ before that. Then later on, he had some entries that

were highlighted; Journal Entries from even prior years that had never been \_\_\_\_\_. Over the years I have asked for copies of information; I've asked for Financial Statements; I've asked for Trial Balances; and, of course, I was denied those Trial Balances and one of the things they said was that they don't produce certain things. Well fortunately Edmunds Software can produce anything you want. We finally got to sit down with Mr. Sombar. Cliff and I, the Mayor and I, sat down and we said give us six things that you see off the top of your head that they should be doing; and basically its repealing(?) all these items that and personal exemptions(?) themselves. These are the six items they told us; and why it has taken them so long to come to this point after auditing this town for 10, 12 years or more; to go through this every year and not stand up and say; we're not bookkeepers and we came here to audit your books; not to \_\_\_\_\_. And about a year ago, I think it was, in May, 2008, I contacted Sombar and I said I know in the Accounts Receivable there are credit balances and he wrote a letter to George Dickerson said in the presentation, that the procedures are clear and non-ambiguous. He said it was okay. And then in his audit report at the end of the year, in his Management Letter, and this is in his Management Letter to the Town, he said some of the Accounts Receivable balances had improper credit balances; which were obvious. I've got a couple of people in mind to speak to; we're definitely going to have a new audit firm. We're going to start to look at Request for Proposals; this is just totally unacceptable; we just can't go on like this. I don't have any current information.

Louis Sgro: Most of it was the situation; I don't think it was Don.

Norman Lester: I think the major problem that we face, there are some reports and I think we're going to discuss this at this upcoming Council Meeting on Thursday, whether to go with the statements as they had been prepared or what I suggested in prior administration, that we at least be a month late, but be correct.

Unknown Speaker: How long does it take to do a month end? It shouldn't take long.

Norman Lester: What I've noticed once I'm here is that the bank statements come in late; and I don't think you need to reconcile the bank; you could prepare the statement without reconciling with the bank. Most of the bills come in; some bills float in after the 10<sup>th</sup>; the phone bill will float in after the 10<sup>th</sup> of the month; after the end of the month things like that. Sometimes you make an accrual; an estimate accrual and hope for that.

Unknown Speaker: It's a shame that the Council Meeting is the first Monday of the month and the Charter says that's when it is.

Norman Lester: That's what it is.

Unknown Speaker: Because if it was ten days later you could have the actual.

Norman Lester: I'm going to show you something that I didn't copy, but you could pass it around from Georgetown, and their Council Meetings later in the month and it gives them time and they do their year end; and, if, for instance, their payroll check is cut on the first of the following month, they would accrue it or they would cut and prepare the checks so they would have the whole month in there. So what we're getting in the past is a Financial Statement that doesn't include the entire month. And I have a piece of this month and a piece of last month; so you can't look at it with any sense of comfort. I've been told that the Department can look at the full statements twice a month; they look at the percentages; the percentages can't be right; if you don't have a full month in there; you can't have a full month's salary; so the percentages can be cockeyed. The good side, fortunately, is the only reason I can mention Georgetown is because I spent some time

over there; Gene Dvornick was the Treasurer; when I was on the Finance Committee; he was Treasurer of the Town; and they run a really tight ship.

Unknown Speaker: You could always amend the Charter, can't you?

Another Unknown Speaker: You have to have a Senator and a Representative sponsor a bill; it's not something that can be done. A lot of times they just went through; so then you would have to go through the process and with the Council it's not automatic.

Norman Lester: You were on the Committee.

Same Unknown Speaker: Yes I was.

Norman Lester: We went and served on this Committee; it took several months to go through and we made a lot of changes and some of the changes affected the bidding process; and some other changes; and by the time they got to Dover, they were gone.

Many of the changes they were recommended by the Committee.

Same Unknown Speaker: Well, I remember when they had the Public Hearing on it and I went there as a Committee Member, there was something that I had brought up and we had passed it and it was no longer there and I asked them and they told me you can't talk and this is not opened to the public.

Norman Lester: We can and probably should let something that should come up, I think, before the Council; there should be another review of the Charter. There's always something to clean up. By the time you go through the process and get it proposed, it's about a year. But it's probably a good idea, too.

Same Unknown Speaker: Yeah it's time well spent.

Norman Lester: Now, in terms of bookkeeping, what they do and one of the things I've asked them when we first came into office; I've asked for several things; and one of them was I asked for a December 31 Trial Balance, after all of these entries were posted; then I asked for an October 1 Trial Balance, a post-closing Trial Balance and I had not seen that. I started tracing all these Journals, there are a lot of Journal Entries here; to the year-end statement and I found a lot of errors. Some of the bank accounts end up with different amounts than those on the bank statements; some of the expense accounts ended up with different balances; so I thought if I saw the October 1; first of all there are fewer items to look at on the Balance Sheet, I could find those more readily; and secondly, I've got a feeling, but I'm not sure; that there might be items showing up on the Income and Expense Account in the current year. October 1 Trial Balance would give me that double-check. The other thing that I looked for, that would solve a lot of these problems, it varies, is that Edmunds will prepare an aging \_\_\_\_; there's like a subsidiary account ledger; and what they do at Georgetown, they'll print everybody's name and then condense aging; 30, 60, 90, 120 days, whatever it was and get the total and they would look at that total and they look at the total from the Trial Balance of the books; if it's wrong, they know there's a mistake. They go look for it. I haven't seen that either. Because I think we should see that every single month; see that aging of all the Receivables and the Payables. I mean, first of all, if you know the cash is right; if you know the Receivables and Payables are right; you probably are pretty close to having \_\_\_\_\_. But we don't know that and I don't know why I can't get it; because maybe I think they're wrong. So these are the things I would like to see moving forward. I'm going to have you guys take a look at this, because I guess this Committee could have a sense of what we would like to see in terms of a monthly; or because we have a cut-off on the 20<sup>th</sup>; I personally don't think the 20<sup>th</sup> makes a lot of sense. The statement that

Georgetown uses is called the Statement of Revenues and Expenditures and it very clearly gives you the prior year, they call it anticipate (it's actually the budget); then the current Revenue; and the year-to-date Revenue. It's really easy to look at. The other thing that they do, and we used to do is print the budget on an Excel spreadsheet by the line item, by Department; instead of coming down department department department; so you could take a look at that by column. If you want to take a look at that; I think possibly both of those might be useful.

Unknown Speaker: This is very useful.

Another Unknown Speaker: It's easy to see.

First Unknown Speaker: If you're looking at it this way.

Second Unknown Speaker: You're not going up there once against the other.

First Unknown Speaker: Its right there.

Norman Lester: And the other thing that Gene used to do when he was here on the Council, here, there were always notes; there was a column and there were notes and he would say X is up because we had a snowstorm.

Second Unknown Speaker: Just a remarks column.

Norman Lester: Which was useful.

Second Unknown Speaker: Is there any reason why they don't budget by month? Is that the typical municipality? Because I worked at a non-profit after I retired; and they did the same thing and I couldn't understand that. You're on a budget and not have a monthly budget.

Norman Lester: Well, possibly there are several things here. Budgets come in; all the bills come in quarterly; and the real estate taxes come out in the beginning of the year; and that may make it difficult; unless you draw the full accrual and amortize those receivables over a period of time.

Second Unknown Speaker: You have a history to set your expectations.

Unknown Speaker: But first we got to get the real numbers that we can understand; I think broken down to each department.

Norman Lester: Have you seen the Financials? This is the Town regular statement; this is their February Statement; if you want to take a look at that. What used to happen is that Mrs. Cornell would sign a statement; and I didn't bring one, because I told her to stop doing this. There is a statement attached to the Financial Statement that the Town received every month and it said Prepared from Edmund Software by her and she would sign it and so I said that doesn't mean anything. Then the Treasurer would sign the statement that she reviews it; but I haven't spoken to the Treasurer; that's a review once aware??? And I said probably about a year and a half ago that I asked at a Council Meeting when that affidavit wasn't on there and they went to look at it and they said it was in the Charter, you know. But they did sign it, but it's meaningless; if nobody's reviewing it. It's very difficult. Here's something that we're going to have \_\_\_\_\_ immunity on. There's some question, and we'll get to this, and we'll get to this when we talk about the project because that's probably going to be another difficult area; when transfer taxes are includable in the general revenues. Georgetown does not include them and I said in Title 22 of the State \_\_\_\_\_, those Revenues are supposed to be used for specific things, like capital improvements and certain things; that's how you tell if the budget was balanced last year.

Unknown Speaker: How many years ago when they had revenue sharing money; okay that was supposed to be for different things and what happened was they started balancing the budget with that and once they cut revenue sharing.

Norman Lester: This is something the Mayor has been asking questions and I've been asking questions; we've got this information from another town; from what I've read it seems to be the case; the transfer taxes are not supposed to be used for general funds. It offers very specific... Does anybody have any thoughts about the Financial Statements, one way or the other?

Unidentified Speaker: Does the software that the town is using support the development or the change in the development of the budgeting and actual process?

All of the Unidentified Speakers Are Speaking Over Each Other: Garbled

Norman Lester: You can transfer this to an Excel Spreadsheet and then you can take it and run clinical...

Unidentified Speaker: But the point well taken is, is you know what your expenditures are; anybody working in this Town should know if you're in this environment, exactly what the Expenses and Revenues are going to be in any given period; so the cut-off on the period of the 15<sup>th</sup> of the month, of whatever date it is and to accrue for the rest of the month is not unusual and it should be the norm, rather than the unusual; and apparently what I've heard so far is that here's the cut-off date and that's it; after that we don't know what it is until the following month. Well that's not the way you run an airline, so to speak. I think we need to look at the internal; have a list of everything that's expended; everything that's coming in and kind of like look at it and say okay; we have to do something with this every month; we have to make what I used to call \_\_\_\_\_ the journal entries for items that we know are recurring every month. Right now \_\_\_\_\_, something's there and it's going to be there; so you take a risk and you say, okay, that's it; and this is an accrual; this is actual, so on and so forth; and then you go from there; you refine it and you hone it and you do whatever you've got to do with it. But I sat through the budgeting process and you know it was hours and it's a tedious, unyielding situation and it can be done a lot easier in my opinion. You may want to go down to the levels of what you have to do to bring it up to the top to develop it that way; but when all is said and done, the top line matters, not the individual item; and they should be accountable for each individual item; don't get me wrong; I'm not saying they shouldn't be; but the Board shouldn't sit there for hours sitting and talking about Utility Expense for the Water Department. It's an allocated item, I would think, rather than they have a direct charge with Delmarva Power or whoever it might be. I think there are a lot of things in my opinion that have to really be looked at from a nuts and bolts perspective to bring it to the top and make it a lot simpler. I don't think it's that difficult. I could be wrong. I didn't know these folks who were working with it, so I could be totally wrong.

Norman Lester: Well, I don't know, given the situation right now, we should be, if I can just go back a second, the old Finance Committee did sit down with the then Town Manager and we did go through the budget; and we went through the budget items and everybody had a comment; and then the committee appeared before the Council at some point and made a presentation and I don't know what's going to happen.

Unidentified Speaker: Who prepares the budget?

Norman Lester: It's the Town Manager's job at this point.

Unidentified Speaker: Does each department prepare their own budget; do they submit it to the Town Manager?

Norman Lester: It's his responsibility; he supposedly talks to department heads; I don't know how much input everybody has; they may have some input. I've never been privy to that part of the process, so, I can't say. I don't mean to ramble, but there are so many things to talk about and we don't have anything concrete to look at; but there are a lot of things and that's why I really pushed to have a Finance Committee, because I think it needs to be proved to people that has some sense of what's going on and what's not going on and have some \_\_\_\_\_ about this and say this is the way we should be moving. I have never liked the idea that the salaries were a lump sum, because I think people are getting increases in salaries \_\_\_\_\_; you can have a line item and you need to look at who's there; is there a return on this investment.

Louis Sgro: Why wouldn't each department do their own budget? I mean, we did ours, we had to have ours in monthly; like in November, we would put something in we expected; and this is our salaries; this is the anticipated overtime; every month you would have to put the mileage in and they recalculated it 15 mpg and they calculated everything in. But each individual department did it and there are a lot of departments, just in the Police Department, so you can just imagine how many; because the Captain, say of the sex crimes couldn't deal with Major Crimes; he didn't know. So Major Crimes prepared their own and kept it on a monthly basis; so they could say, well, look you've already allocated 1,000 hours for overtime and you've already used 1,500; overtime is cut.

Unidentified Speaker: In my view, it should a department responsibility and they should be held responsible and it's part of their Personnel review for meeting or not meeting their budget.

Norman Lester: And I don't want to appear to be ignorant, but I am ignorant of that fact.

Another Unidentified Speaker: I would suspect that they don't have much input; and, I think, when they did have a budget, they submitted it and it was approved; some of the funds were internally moved and they did not know how to do... and it's hard if you've got a budget to hold you to that budget if somebody else is screwing around with the money.

Norman Lester: Even back a few years ago there was always some contention between the Police Department and their budget and everybody else with that budget; but to some extent I know that is still going on; but I don't know what input anybody has. It's very frustrating to find yourself going through procedures and you get there and you still don't know what you have.

Unidentified Speaker: And you're where you were when you were still asking the questions.

Norman Lester: Right. Exactly, I know where I would like to be; I would like to see multi-budget years; I would see maybe gross items; I would like to see this; not necessarily a trial balance; Georgetown, the way they operate they prepare an aging; a Receivables and a Payables; and they just go on the screen and compare it. She just looks at the Trial Balance; in her case, I think the young lady looks at the General Ledger and if the General Ledger says \$100,000 Receivables for Water Bills, that should be her subsidiary ledger; and if it's not, there's a problem. But we're not doing that. We have no proof. In this case, where there is a credit balance; this doesn't come out until... Well the audit report is supposed to be submitted in January, but generally the Town hears

about it sometime in March. That's a long time to have gone with statements that are inaccurate; inherently inaccurate. So, the key is I think the Committee has to have some input with the budget; the Charter says it's the Town Manager's position to prepare the budget and present it; but it used to be the Finance Committee did \_\_\_\_\_ with the Town Manager and review that budget; now he just reviews it on his own and goes before the Town Council; so I think if we don't agree with this and we have some questions; this is what we need to know. I think, like most governments, we're pushing up the Revenues to cover some pretty heavy Expenses; I think we're pretty top heavy in Compensation; and we're pushing Revenues to cover them. And a major part of that is transfer taxes; if they came out of the equation; then you've really have to think about what you're expending.

Unidentified Speaker: I think not the last one, but the one before; every department was kind of over and down at the bottom, they had whatever they needed to balance that budget they pulled from the revenue sharing; do you know what I mean? And like you say, they balanced the budget; but really they didn't.

Another Unidentified Speaker: They plugged it.

Norman Lester: The big views, the expenses, when they take the money from the General Fund to fill gaps...

Louis Sgro: Is there a way that each department can submit their budget to the Finance Committee and then give it to the Town Manager to put together; so you can see what each department is doing?

Norman Lester: You can ask them to do that.

Louis Sgro: But you're the boss; the Mayor is the boss, isn't he? Doesn't that count? If the Mayor asks for something, believe me, he should get it.

Unidentified Speaker: It's meeting some resistance.

Norman Lester: If I'm meeting resistance, he is too. It's a tricky road to hoe. I think there has to be some resolution pretty soon, because the Town can't run like this and I think people in the Town have to be clear that if you can't get information here by half-way through the fiscal year; you can't get anything; you can't get good numbers; and it's just not right; I just don't know what else to say. I've put my neck into it apparently once.

Unidentified Speaker: When does the budget process start?

Louis Sgro: Ninety days before the end of the year.

Norman Lester: Yes.

Louis Sgro: It's in the Charter.

Unidentified Speaker: That Charter is a minimum number; it could start at 120 days.

Louis Sgro: Oh yeah, it could.

Norman Lester: We could probably start looking at it; but according to the Charter it begins with the Town Manager is to begin putting some numbers together; to begin the preparation. Unfortunately, it's not up to the Finance Committee; but we do need to take a very careful look at the budget for this coming year. Going to our Town Meetings and where do we have all this Cash on Hand; we're doing okay and it looks like \$2,000,000; that can go away pretty quickly when you start spending money; we spent a lot of money on the Town Hall. In my opinion, we should be meeting at the Town Hall, not here.

Unidentified Speaker: And they need a water tower, somebody said at \$1.2 million on the water tower?

Louis Sgro: I've heard that, but I've also heard that something could be moved; do you know about that? That something could be moved or there could be an addition that we don't need to spend \$1.2?

Dennis Hughes: No I hadn't heard that.

Louis Sgro: If we had an \_\_\_\_\_ we don't need to spend \$1.2 million.

Norman Lester: And it's not going to happen in the next ten minutes. That's why we need to talk to everybody.

Unidentified Speaker: So that when they looped the other one in there, it really helped. Really on the north side or Cannery; you had the water tower here and the water tower around here; but that system was not looped; when they went in and looped it and they put the 10" main in and everything, that really brought the pressure up; because it was all dead ending out on Chestnut. There might be something that can be done without putting the tower up.

Norman Lester: There's a lot of things like the Tidewater deal that are pretty iffy right now, too; we don't know whether that's going to happen; if the water treatment plant is going to be there or not. I understand that this treatment plant now meets requirements and...

Unidentified Speaker: I don't think they've had their license since they've taken over.

Norman Lester: Looks like we'll have to throw them in the brook. I guess the people you see fishing in the pond, but it's upstream. That's away from it all. So for this Council meeting coming up; we have to at least start, until we get caught up, a month behind; until we find out how the system works. At least we'll have a statement that we can rely on; if we can get to that point; and I hope that we can get to that point pretty soon. This is silly; we'll be in June.

Unidentified Speaker: It doesn't seem to me to be that critical to the Council that they get a statement a month late; because they are not doing anything with it anyway.

Norman Lester: No, nobody ever looked at it. But some of these statements have been wrong.

Unidentified Speaker: I would rather have them accurate statement.

Norman Lester: I understand that. If you looked at the October statement presented by the Town, the last column; the realized percentage; the percentage used; there were items that did not have an expenditure; and it showed a percentage used for the month; and the note that I got back was that statements don't necessarily have the balance \_\_\_\_\_.

Unidentified Speaker: I could have passed accounting if I knew that. I could have gotten a better grade.

Norman Lester: And it has something to do, and I'm not sure how the system operates, I did understand because one of the things on the CPA Exam was you had two choices and an accounting problem in costs and then Municipal Accounting, like it was work for me; and I used to understand in conferences, I know this stuff and there is some of this being done, but I don't think it's complete. It's done in bits and pieces so the numbers you get, because the response I've seen; the Police Chief had a question about something on his budget and he was told that amount was encumbered, so it appears that its been used; so the percentage of the budget used for that year is higher; but you don't see an expenditure. I'm not sure how that all comes together. It comes back to the same reasoning; I can't get answers for anything.

Unidentified Speaker: Would it be not unreasonable to say that we continue to have the Financial Statements one month late; as you pointed out, as long as they are accurate; and not necessarily one month late; it takes a little bit of time to interact with the departments and ask questions to flesh all of this stuff out.

Another Unidentified Speaker: They can have the statements no more than 10 days after the beginning of the subsequent month; and they can be accurate, but they won't be official; they can have them in their hand. Then they can have the rest of the month to peruse them and come up with questions; which I doubt that they do.

First Unidentified Speaker: I don't think monthly is unreasonable in my head and obviously you can disagree with that. But I think at year-end, I mean, this is absurd. It's several months into the year and we're still talking about it. [The balance of the sentence was too low to transcribe.]

Norman Lester: That shouldn't be there. I know.

First Unidentified Speaker: But talking to the people that work there, these journal entries that needed to be pulled, should be well, well aware of what they are at this point; I imagine they are. And they should have had them booked, period. That's it, end of discussion. Even the year old ones, the deliverables, you've got to get everything up to speed.

Norman Lester: Well, that's what worries me that makes the year's so more statement's incorrect and it's a question, which I say was disingenuous, that the entries were not booked because the Council had not accepted the Audit and I don't think they're tied together. The Council does not have to accept the Audit; before they can post these journal entries.

Unidentified Speaker: That doesn't make any sense.

Another Unidentified Speaker: No because you're accepting a Financial Statement that's not correct.

Norman Lester: The statements when they are published by the audit firm, whoever it is, that's it. Their published and unless there is a serious error that they find subsequent and they have to change that, and you see it happens quite a bit with the big firms; they'll change it; but generally speaking, once that's published, he's not going to change it. He's not going to change it. It is what it is; I don't care if you accept it; you vote it up; you vote it down; it's out of here; they pay me and I'm on my way. This is my report; this is what I do.

Unidentified Speaker: I think too, you're talking about the report that if it is more of a positive report, the Council says well everything looks like it's running smooth, or if you had the report and there is a lot of negative or this, this, this; then people there are going to hear it and they're going to question this and they might take a little bit more interest in it. If you had any interest in the Town, you know that you're going down; you better take a hold and see what's going on.

Norman Lester: I would like to see little \_\_\_\_ in discussion of the Financial Statements; some brief review in some fashion, maybe, in this format; instead of reports just being accepted and onto the next thing.

Unidentified Speaker: Would that really be required monthly if there was not a major exception; a discussion at the Council meeting?

Norman Lester: Probably not.

Another Unidentified Speaker: Quarterly at least.

Norman Lester: People should be made aware. I've been told that people look at these things; but I don't think anybody has... One of the things that came up, in here, in the Audit Report; I had visions at the time; because I was working with numbers that were in final; I was trying to tie the Town's numbers in to the last Financial Statement we prepared I was trying to tie them into these papers and I couldn't find it. In the Rails to Trails, I can't find what page I'm talking about. The Rails to Trails is an expensive project, some \$500,000.

Unidentified Speaker: That's half of the grant.

Norman Lester: They never showed it up on the monthly budget statements. It was a series of accounts that never showed up on the monthly budgets.

Unidentified Speaker: It was a grant for Rails to Trails; it was \$1 million.

Norman Lester: It was a grant, but they expended some money; the whole transaction never showed up and the auditor found it by looking through some accounting balances. One thing I was always taught that the account having a zero balance; look for the income for that account. It means that somebody did something that made a balance of zero. So, they did, they found this one account that never showed up in the Financial Statements. Then there were a series of accounts I think this account in Milton, the expense accounts that are in the 200 series and that account was in the 100 series. It's in there and what we should be able to do is take the year-end statement and match it; what I was trying to do; which was a major mistake; is trying to take the year-end statement that was produced for that account and obviously I can't match it to these numbers. The other thing that I would like to see is that if you want to record financials is to follow the accounts that we have in the monthly statements if somebody wants to compare them; they can easily compare them. What I was doing was having them say well there's X number of dollars on the audit report; if I add this, and this, and this, and this it doesn't equal that; and they did in some cases. Because I found some things that were budgeted on the budget that didn't show up on the Expense; one of which is an expense that I watched very carefully, the Recorder; that budgeted item showed up; but no expense; and the auditor couldn't give me an answer why. I may not know any other number; but that's one number I know and it's not there; where did it go? And he couldn't give me an answer, so. I guess, depending on how we start and how soon we begin getting some Financial Statements so we can look at them; I'll ask the Mayor how he sees us fitting in the budget process and talking to Department Heads and getting the first draft from the Town Manager and to put together; maybe we could start. I don't want to have meetings, just to have meetings; this was just a heads-up; this is new, just to find out where in this morass we fit. Does anybody have any opinions? How often should we meet?

Unidentified Speaker: I don't think we need to put together a budget; but I think the involvement of the department heads is critical to their effective management that they're going to get.

Another Unidentified Speaker: To their performance.

Unidentified Speaker: Yeah, absolutely.

Another Unidentified Speaker: I don't know if it is tied to their actual budget; I don't think they are.

Unidentified Speaker: I doubt it.

Another Unidentified Speaker: Other than the Police Department. What's going to watch the Police Department?

Louis Sgro: Overtime.

Norman Lester: That's the big number. That's always the big number. Sometimes you just wonder how it gets so big.

Louis Sgro: Are they up to full staff or are they still down some?

Norman Lester: They just hired the Code Enforcer; he's taking the short course at the Academy; because he was a police officer, I think, in North Carolina.

Unidentified Speaker: Yes, you only have to take the course in Delaware for only three weeks.

Norman Lester: Yeah, so I guess he'll be... I think they'll be up to budget where Phillips wanted to be.

Louis Sgro: Okay, at 10?

Norman Lester: Yeah, I'm pretty sure. Well, he's one guy that can always come up with cash; he'll be happy to come up talk about the budget.

Louis Sgro: You know, like you're talking about that, if, when they started out the Town Manager went to \_\_\_\_\_ and said put together some kind of a draft so we could sit down; even if we sat down there with the Department Head and the Town Manager, and then he takes that information and the Town Manager could get his own; because a lot of times it's nice to have the Department Head there, because if you have a question on something, you could get first hand information.

Unidentified Speaker: If they haven't been involved before, in much of the budget preparation, maybe we for the Financial Manager, could educate them a little; some of the details of the budgeting process.

Another Unidentified Speaker: I'd like to kind of get a feeling from everybody. There are not too many heads of departments we've had the Police Department, the streets department; doesn't in all come under Allen? He does parks, he does...?

Unidentified Speaker: Yeah, actually, there's the police, the utilities, maintenance, and the Finance Director; the Town Clerk; because Robin is actually, I don't think he's a department head, is he?

Another Unidentified Speaker: But he's Code Enforcement isn't he? Is that? Really it would be nice to have an organizational chart that shows all that, do you know what I mean?

Norman Lester: Actually, I think I have one.

Unidentified Speaker: Administration, Code Enforcement, Parks and Rec and that's about it.

Norman Lester: I do have a chart, but it's not exactly easy to follow; but it's there.

Unidentified Speaker: It's got a lot of broken lines.

Norman Lester: It starts with a box and there are more boxes then a little house. The way it works is a little surprising. I'll scan it.

Unidentified Speaker: That's a good idea; I think we'll all find it easier and then everybody knows who reports to whom. And I think if they don't resolve the budget that develops, the accountability of that budget; we're they're willing to watch the whole thing goes; it makes it more real [people were talking over each other – garbled].

Norman Lester: I'm up for how it's all going to work. I think we move and that's something that both Cliff and I were hoping for; for more straightforward and clear and transparent as we can for the townspeople to know where the money's really going and where it is coming from and what we have. One thing under Jack Busch's regime we

used to publish detailed balances; checking account balances; along with the budget and a lot of information that came out then. I don't think the Town had a website at that time.

Unidentified Speaker: I wish they did, when you went to the meeting there, they had all the reports and you could pick one up. It even had the list of the software they were using; but it listed all the bills that were paid; how much they were and actually, they listed what it was actually for.

Norman Lester: Some Towns, there are a few Towns around here, where they actually post that on their website; which is something they talked about; maybe a goal so that people can actually see where the money is going every month. Some of them are mundane bills; you've got the healthcare; you've got the telephone bill; you've got the street lights and things like that; you know, some of them; but at least sometimes you look at a bill and you say what is that for? One of the things that I have asked for and one thing that is being done; I asked for no bank statement to be opened until I open it; and that's interesting; you can scrutinize the checks and look at the deposits and how did this get transferred to this account; and who is this person; who is this company we're writing checks to? And some interesting things have come up from that. There are little steps and that was one way to get a view of things [garbled] and I don't want to keep harping on that, but I'm really getting annoyed. So if we recommend a statement for the time being, if it's a month late, I think if you had some knowledgeable of handling of the monthly work; you could do that. We are in compliance with \_\_\_\_ and you could basically bookkeeping work and we make monthly accruals for them and they reverse the next month; when we get the actuals; and so we could be off by a couple of bucks or whatever. There are ways to do it; to get a statement out; one \_\_\_\_ and investments; times are tough and you may want to know what's going on.

Unidentified Speaker: I just don't have a sense of how much we're talking about; are you talking about 50 accruals every month; or 25; or 7; or 10? We have to find out ahead of time; we have to hone in on this; or we have to have 12 of these we have to go through every month.

Another Unidentified Speaker: Do you have a prior credit card history experience [garbled].

Norman Lester: The only thing that you would know; you know what your payroll is; what's the other expenses? Telephone, probably stays pretty constant; pension stays pretty constant; the odd thing may be some capital expenditure.

Unidentified Speaker: Or your insurance you pay once a year.

Another Unidentified Speaker: You have a sense of what it is. You have to buy a back loader.

Norman Lester: Oh, you did remind me of something. In the condominium world, there's a saying, reserve, reserve and the Police Department needs to replace their computers; their computers are all pretty old; six, ten years. I have a Dell laptop that died; it just died; it was seven years old and it simply just died on me. I don't think the guys could be out in the car and their computer is just going to die. But suddenly we're faced with buy seven computers; prices, fortunately, are coming down; seven is cheaper; and I'm sure the software and everything must be pretty pricey. I don't know.

Unidentified Speaker: There are a lot of grants out there; I'm sure the Chief looks at them all and gets what he needs.

Norman Lester: But there always seems to be a need to replace, the roof that's leaking and it's this and it's that. So, the fault lies in what's never been done; some Towns, I believe, accrue depreciation.

Unidentified Speaker: Capital reserve.

Norman Lester: Yes, so you can see what's going on. So I think we probably ought to reserve some funds for future contingencies without having them hit us at one time. Unfortunately, the Town was in the position when they bought that house for the Town Hall; they had some money in the bank; it happened they needed to spend a lot of money to renovate and that reduced the use of \_\_\_\_\_. One thing was unsafe; the fire escapes from upstairs. We could talk about the department heads and just discuss this never ending. From what I've seen, I think that Allen knows pretty much what he's doing; don't you think so, Denny?

Dennis Hughes: Yes.

Norman Lester: You've known him a lot longer than I have.

Dennis Hughes: Yes.

Unidentified Speaker: Does Jennifer report directly to George?

Another Unidentified Speaker: Who is she?

Unidentified Speaker: The Finance Director.

Norman Lester: I think she actually reports to Coulbourne, the Town Clerk. Just about everybody reports to her and then she reports to the Town Manager.

Unidentified Speaker: When you see the Org Chart, you know is that's the right stream of reporting? Should that siphon off to someone else? This way she could have a freer hand at developing information; Financial Statements; so I don't know.

Another Unidentified Speaker: It's one of the things to look at. That's where I hit a roadblock.

Norman Lester: Okay, I'll scan that organization chart; it's probably been copied many times, so it's not pristine; you know. I'm not even sure where it came from.

Caroline Buress: There is one in the Code Book with the boxes and everything.

Norman Lester: Oh, great. I'll prepare it. Putting it on an Excel spreadsheet, I think that will be handy; easier to read; both for Council Members and people with pads. After the statements have been approved by the Council, it's been put on the website; I don't know how many people actually look at them.

Unidentified Speaker: There's a way we can track that.

Norman Lester: I know there are a number of people in the old part of the town and some of the old organizers don't have computers and can't do that.

Unidentified Speaker: That could also be available at Town Hall.

Norman Lester: At Town Hall or even here at the Library. A couple of years ago, we had a problem and I forget what it was, I think it had to do with the budget and I said why don't you just put it in a book and put it downstairs and everybody that comes into the Library can look at it; because the Library is opened for longer hours and on the weekends and Town Hall is not open and that's a problem, because they were not opened on Saturday and Sunday, so people could come in here and that was done. I don't know how many people actually came in and looked at it; but at least it was done and everything should be out there. What else?

Unidentified Speaker: I think that's actually a lot to feed on the bone right there, so to speak.

Norman Lester: I'll talk to the Mayor about this tomorrow.

Unidentified Speaker: Speaking for myself, I'm sure the Mayor has done it; he needs to let everybody know that there's going to be more involvement than there was in prior years; some outside Committee looking and trying to help; we're not trying to hurt; but trying to help. Whatever we can do; if I can offer somebody help to develop the budget, I would be more than happy to; if they feel that they're \_\_\_\_\_ shortcomings in there; I'm sure we all feel that way. Getting in there to help is what we're trying to do; it will make it better for everybody; easier for them and make them accountable for it.

Norman Lester: So that's what we all hope to do, to make that happen and I would like to see it happen; it makes the Town a lot more comfortable and especially I would like to see transfer taxes and everything else pick up and some development that's going to be a slow ride, before we see more money zipping in the door and what I would like to see is some of it stop flowing out the door; get some return on our investment. Okay, so should we possibly set a time say some time in July so that we can see what progress has been made.

Unidentified Speaker: I imagine when you get information; you will just pass it on.

Norman Lester: Yeah, why don't I do this, instead of setting a time now? Let's see how much information we can get flowing and then I would like to get it out to everybody before and then I will send out an email and ask you what's a good day. We don't want to spend part of summer, I think I know Cliff and I spent a lot of time on the budget; we sat in my office a lot of hours trying to go through and developing questions; some of which were answered and some were not. Unfortunately, don't ask a question that can be answered yes or no.

#### Adjournment

Norman Lester: It's 7:35 p.m. and we're going to adjourn.